

HOUSE EDUCATION COMMITTEE SUBSTITUTE FOR
HOUSE BILL 745

46TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2003

AN ACT

RELATING TO PUBLIC SCHOOL FINANCE; LIMITING SCHOOL DISTRICT AND
CHARTER SCHOOL OPERATIONAL CASH BALANCES; DECLARING AN
EMERGENCY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 22-8-41 NMSA 1978 (being Laws 1967,
Chapter 16, Section 99, as amended) is amended to read:

"22-8-41. RESTRICTION ON OPERATIONAL FUNDS-- EMERGENCY
ACCOUNTS-- CASH BALANCES. --

A. ~~[No]~~ A school district shall not expend money
from its operational fund for the acquisition of a building
site or for the construction of a new structure, unless the
school district has bonded itself to practical capacity or the
state superintendent determines and certifies to the
legislative finance committee that the expending of money from

1 the operational fund for this purpose is necessary for an
2 adequate public educational program and will not unduly hamper
3 the school district's current operations.

4 B. A school district or charter school may budget
5 out of cash balances carried forward from the previous fiscal
6 year an amount not to exceed five percent of its proposed
7 operational fund expenditures for the ensuing fiscal year as an
8 emergency account. Money in the emergency account shall be
9 used only for unforeseen expenditures incurred after the annual
10 budget was approved and shall not be expended without the prior
11 written approval of the state superintendent.

12 C. In addition to the emergency account, school
13 districts or charter schools may also budget operational fund
14 cash balances carried forward from the previous fiscal year for
15 operational expenditures, exclusive of salaries and payroll,
16 upon specific prior approval of the state superintendent. The
17 state superintendent shall notify the legislative finance
18 committee in writing of his approval of such proposed
19 expenditures.

20 D. Notwithstanding the provisions of Subsection C
21 of this section, beginning with fiscal year 2004, prior to
22 approval of a school district's or charter school's budget, the
23 state superintendent shall verify that the reductions from the
24 school equalization guarantee distribution have been taken
25 pursuant to Subsections F and H of this section.

1 E. The allowable limit for a school district's or
 2 charter school's ending operational cash balance is:

3 (1) if the current year program cost is less
 4 than five million dollars (\$5,000,000), nine percent of the
 5 budgeted expenditures ;

6 (2) if the current year program cost is five
 7 million dollars (\$5,000,000) but less than ten million dollars
 8 (\$10,000,000), seven and one-half percent of the budgeted
 9 expenditures;

10 (3) if the current year program cost is ten
 11 million dollars (\$10,000,000) but less than twenty-five million
 12 dollars (\$25,000,000), six percent of the budgeted
 13 expenditures;

14 (4) if the current year program cost is
 15 twenty-five million dollars (\$25,000,000) but less than two
 16 hundred million dollars (\$200,000,000), four and one-half
 17 percent of the budgeted expenditures; and

18 (5) if the current year program cost is two
 19 hundred million dollars (\$200,000,000) or more, for fiscal year
 20 2004, two and one-half percent of the budgeted expenditures
 21 and, for subsequent fiscal years, three percent of the budgeted
 22 expenditures.

23 F. Except as provided in Subsections H and I of
 24 this section, the state superintendent shall reduce the state
 25 equalization guarantee distribution, calculated pursuant to

. 146174. 2

underscored material = new
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1 Section 22-8-25 NMSA 1978, to each school district or charter
2 school by an amount equal to the school district's or charter
3 school's excess cash balance. As used in this section, "excess
4 cash balance" means the difference between a school district's
5 or a charter school's actual operational cash balance and the
6 allowable limit calculated pursuant to Subsection E of this
7 section; provided, however, that:

8 (1) for a school district or charter school
9 with a current year program cost that exceeds two hundred
10 million dollars (\$200,000,000), if the actual operational cash
11 balance is greater than twenty percent of the allowable limit
12 calculated pursuant to Subsection E of this section, then the
13 excess cash balance is equal to twenty percent of the allowable
14 limit; and

15 (2) for other school districts and charter
16 schools, if the actual operational cash balance is greater than
17 eighteen percent of the allowable limit, then the excess cash
18 balance is equal to eighteen percent of the allowable limit.

19 G. In developing budgets, school districts and
20 charter schools shall not budget current year cash balances
21 without the approval of the state superintendent.

22 H. A school district or charter school whose
23 enrollment growth exceeds one percent from the prior year and
24 whose facility master plan includes the addition of a new
25 school within two years may request from the state

1 superintendent a waiver of up to fifty percent of the reduction
2 otherwise required by Subsection F of this section.

3 I. Notwithstanding the provisions of Subsection F
4 of this section, for fiscal year 2004, the reduction from the
5 school equalization guarantee distribution shall be the greater
6 of the amount calculated pursuant to that subsection or ten
7 dollars (\$10.00) per MEM.

8 J. For the purposes of this section, "operational
9 cash balance" means the allowable, unrestricted, unreserved
10 operational cash balance and the emergency reserve.

11 K. For the purposes of this section, "allowable,
12 unrestricted, unreserved operational cash balance and the
13 emergency reserve" means the proportional share not
14 attributable to revenue derived from the school district
15 property tax, forest reserve funds and impact aid for which the
16 state takes credit in determining a school district's or
17 charter school's state equalization guarantee distribution."

18 Section 2. EMERGENCY.--It is necessary for the public
19 peace, health and safety that this act take effect immediately.

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